



TO: CVCS Board of Directors

FROM: Peter Kampa, General Manager

DATE: March 15, 2022

SUBJECT: Item 7a) Discussion and staff direction regarding banking security and banking options in consideration of the recent check fraud incident and Umpqua Bank response

RECOMMENDED ACTION

Staff recommends a motion to enter into agreement with Umpqua Bank for their fraud services package, to contract for the additional accounting services to upload related files and to monitor the performance of the banking relationship.

BACKGROUND

For the first time in history, the Copper Valley CSD experienced a situation where a criminal created fraudulent checks on 12/27/2021 in the amount of \$4200 and on 1/24/2022 in the amount of \$1200. These checks were deposited to accounts via mobile banking and the money withdrawn from our bank account. The checks are attached, and as you can see are a complete fraud and not close to the look of our checks; nor do they contain two signatures as we require.

Unfortunately, President Ken Albertson, Nicole and I have learned that two signatures only matter if checks are cashed in the local bank branch and someone catches it. With mobile banking, as long as our account has money, and the deposit goes to a valid bank account, there are almost no fraud protection measures unless we sign up for some form of account protection. In fact, since these checks were fraudulently deposited, they are not covered by the traditional FDIC insurance, and it is up to the bank if they refund the money stolen.

When the fraud was discovered, President Albertson placed a hold on the bank account and every withdrawal by check or ACH since that time has been individually approved by Ken and/or Jeremy, our accounting contractor. There have been a number of rejected checks and payments since last month, and the effort on behalf of President Albertson has been significant, to the point that he paid an employee with personal cash due to a bank rejected employee check.

Umpqua Bank has recommended that we immediately enroll in a check and ACH payment approval service that protects the District from fraud. In an abundance of concern and caution for this new threat, President Albertson, Nicole McCutchen and myself researched security options and whether banks normally cover fraud. Our findings revealed that the level of fraud in banking is increasing exponentially. We learned that most banks recommend, and some require enrollment in security services to protect checking and ACH payments.

This is a fairly new and rapidly evolving security concern. It appears that regardless of which bank we choose, that if fraud occurs, we may not be covered without enrollment in a protective service. Although we do not know at this time if Umpqua Bank will refund our money stolen, it is not recommended by staff that we change bank accounts, as we have not found an institution that will 100% cover fraud. Rather, we should enroll in the security programs at a cost of up to \$200 per month and monitor the relationship and performance of Umpqua if we experience any more fraud while enrolled in the security programs.

2/8/2022 7:54 AM

PUBLIC FUNDS CHECKING

*****5048

COPPER VALLEY COMMUNITY
SVCS DIST
1000 SADDLE CREEK DRIVE
COPPERFOLS, CA 95228

UMPQUA BANK
1-866-4UMPQUA
WWW.UMPQUABANK.COM

Check No 5235

01/24/2022

Pay to: KARLI ALBERT

Pay

\$ 1,200.00

One Thousand Two Hundred Dollars and Zero Cents

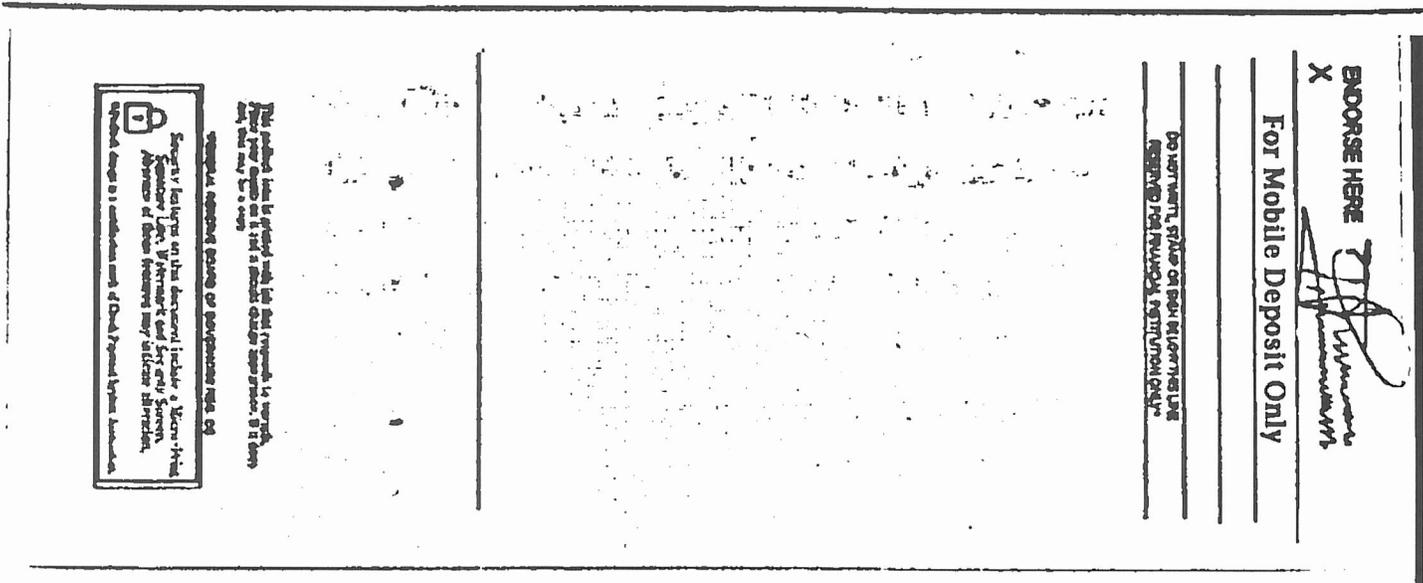
Void after 90 days



Authorized signature

For: PAYMENT

⑆123205054⑆ 992525048⑆ 5235



Amount: \$-1,200.00

Statement Description: Check

Check Number: 5235

Posted Date: 1/26/2022

Type: Debit

Status: Posted

